

1998 SMALL BUSINESS PROFILE

SMALL BUSINESS: HEART OF THE RHODE ISLAND ECONOMY

The importance of small business to the state of Rhode Island is apparent in the 1998 Small Business Profile. This year's findings, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, indicate that small businesses are vital to the state's economy. Not only do small businesses play a critical role by efficiently reallocating the state's resources and injecting new ideas into the economy with business starts and stops, but their diversity and composition provide the work force with many opportunities.

Number of Businesses - In 1997, Rhode Island had 31,155 businesses with employees; 96.9 percent of the businesses were small businesses (percent based on 1995 data for businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 25,000 self-employed persons in 1997.

Small Business Income - The income of sole proprietors and partners rose 3.6 percent to \$1.5 billion in 1997, while wage-and-salary income rose 5.9 percent. The state also exported \$1.1 billion of goods in 1997. (In 1992, 82.5 percent of the exporters in the state were small businesses.)

Women-Owned Businesses - According to The National Foundation for Women Business Owners, as of 1996, there were 29,200 women-owned businesses in Rhode Island, including part-time firms, employing 90,600 people and generating \$10.2 billion in sales. Between 1987 and 1996, the number of women-owned businesses increased 84.8 percent.

Minority Businesses - According to the latest Bureau of the Census data, the number of black-owned firms, including part-time firms, increased 75.3 percent from 1987 to 1992, totaling 857 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 204.5 percent during the same time period with 1,297 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 472 in 1987, to 987 in 1992, representing a 109.1 percent increase.

Business Turnover - Between 1996 and 1997, the number of new firms decreased 1.4 percent, while new business incorporations increased 1.1 percent. Financial difficulties leading to business bankruptcies decreased by 0.6 percent and business failures increased by 36.6 percent.

Finance - An SBA Office of Advocacy study found that the number of banks in Rhode Island decreased from 10 in 1994 to 7 in 1997. The study also found the top lenders to small businesses in FY 1997 were:

Bank Name	Location
PIERBANK	Narragansett
FIRST B&TC	Providence
BANK RHODE ISLAND	East Providence
WASHINGTON TC	Westerly
CITIZENS BK RI	Providence

Small businesses seeking loans should also consider banks that participate in SBA loan programs. To locate an SBA preferred or certified lender near you, call 1-800-8-ASK-SBA.

Job Growth - From 1992 to 1996, small businesses (fewer than 500 employees) created net new jobs while larger businesses lost jobs. The figures below indicate the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	23,277	(1,842)	(5,374)	8,028	(25,048)	(960)
Manufacturing	818	83	(2,146)	(274)	(3,847)	(5,367)
Retail Trade	5,630	(2,544)	(724)	2,487	(2,895)	1,952
Services	11,968	153	889	5,237	(8,891)	9,355
Other	4,863	468	(3,393)	579	(9,416)	(6,901)

Industries - Small firms in the state are represented in many industries. The Health Services industry is the largest small business employer in Rhode Island, followed by Eating & Drinking Places. The fastest growing industry for small business is Chemicals & Allied Products (represents industries that were at least 0.25 percent of the 1995 total). The following three tables provide information about the small business sector in the state.

Table 1, Top Five Industries by Employment, 1995

Industry	SIC	Total Empl.	Percent of total	Percent small
Total - All Industries	1	379,595	100.0	58.2
Health Services	8000	51,232	13.5	51.6
Business Services	7300	27,726	7.3	49.8
Eating & Drinking Places	5800	27,695	7.3	68.4
Miscellaneous Manufacturing Industries	3900	19,702	5.2	67.8
Educational Services	8200	16,367	4.3	24.9

Table 2, Top Small Business Industries by Employment, 1995

Industry	SIC	Small Bus. Empl.	Percent of total	Percent Small
Total - All Industries	1	220,838	100.0	58.2
Health Services	8000	26,454	13.5	51.6
Eating & Drinking Places	5800	18,938	7.3	68.4
Business Services	7300	13,804	7.3	49.8
Miscellaneous Manufacturing Industries	3900	13,361	5.2	67.8
Social Services	8300	10,454	3.0	91.1

Table 3, Fastest Growing Industries in Employment for Small Business, 1994 - 1995

Industry	SIC	Small Bus. Empl. 1995	Net change	Percent change
Total - All Industries	1	220,838	3,797	1.7
Chemicals & Allied Products	2800	1,120	155	13.8
Special Trade Contractors	1700	8,101	985	12.2
Rubber & Miscellaneous Plastics Products	3000	3,859	468	12.1
Fabricated Metal Products Except Machinery	3400	6,581	767	11.7
Wholesale Trade - Durable Goods	5000	10,231	1,130	11.0

Sources: Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation for Women Business Owners, and Cognetics, Inc.